

SWELLEN DAM MUNICIPALITY



IRREGULAR EXPENDITURE POLICY, 2020

IMPLEMENTATION DATE 1 JULY 2020

APPROVED BY COUNCIL ON XXX

1. GENERAL

This policy outlines the identification and treatment of irregular expenditure in the Swellendam Municipality according to the requirements of the MFMA

In terms of section 32 of the MFMA the accounting officer must exercise all reasonable care to prevent and detect irregular expenditure, and must for this purpose implement effective, efficient and transparent processes of financial risk management

2. IRREGULAR EXPENDITURE

Definition

Irregular expenditure comprises expenditure, other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- The Municipal Finance Management Act no 56 of 2003
- The Supply Chain Management Policy of Swellendam Municipality and any legislation providing for the Supply Chain Management procedures in the municipality.

3. OBJECTIVES

The objectives of the policy include-

- Emphasising the accountability of employees for the Swellendam Municipality resources;
- Ensuring that employees have a clear and comprehensive understanding of the procedures they must follow;
- Ensuring that resources made available to employees are utilised efficiently, effectively , economically and for authorised official purposes only
- Ensuring that the Municipal resources are managed in compliance with the MFMA, the treasury Regulations and other relevant legislation;
- Ensure that irregular expenditure is detected, processed and recorded timeously.

4. PROCEDURES

The procedures for the treatment of irregular expenditure are described below:

4.1 Discovery, Investigation and reporting of irregular expenditure

- (a) Any employee who becomes aware of or suspects the occurrence of irregular expenditure must immediately report in writing such expenditure to the Accounting Officer or his/her delegate;
- (b) On discovery of alleged irregular expenditure, the Accounting Officer should record the details of the expenditure in an irregular Expenditure Register;
- (c) The Accounting Officer or his/her delegate must investigate the alleged irregular expenditure.
- (d) During the period of investigation payments must be done.
- (e) The results of the investigation will determine the appropriate action to be taken regarding the expenditure.

4.2 Reporting of Irregular Expenditure

- (a) The register must be updated to reflect the reasons for the deviation and be reported to the next meeting of the Council;
- (b) The outcome of the investigation must be included as a note to the Financial Statements.

4.3 Categories of Irregular Expenditure

- (a) Irregular Expenditure incurred as a result of a non-compliance with a Treasury regulation, the MFMA and the Swellendam Municipal Supply Chain Management Policy. Example – Procuring of goods

or services by means of quotations where the value of the goods / services exceed the set threshold as determined in the SCM policy quotations.

(b) Irregular Expenditure incurred as a result of procuring goods or services by means of other than through competitive bids where the reason for deviating from the prescribed processes have not been recorded or approved in terms of section 17 of the SCM regulations.

(c) Irregular Expenditure resulting from non-adherence to the delegation of authority as approved

(d) Irregular Expenditure incurred as a result of expenditure outside contracts or contracts expired and not extended in terms of MFMA section 116.

(e) Expenditure resulting from non-adherence to any delegation of authority is also regarded as irregular expenditure.

4.4 Exclusions

Non- compliance with the MFMA, SCM Policy and treasury regulations or other relevant legislation shall not necessarily be regarded as irregular expenditure unless the expenditure related to such non-compliance is inconsistent with any prescripts of the aforementioned legislation. For example non-compliance with the requirement that payments be made within 30 days from receipt of an invoice shall not be regarded as irregular expenditure unless the expenditure was authorised by an official who did not possess the appropriate delegated authority to approve the expense in question.

4.5 Accountability and remedial steps to be take.

(a) The Accounting Officer must report to Council stating the reasons for the irregular expenditure.

(b) The Accounting Officer must report on the steps that are taken to:

- i. Recover or rectify such expenditure
- ii. Prevent a recurrence of such expenditure
- iii. Ensure that disciplinary proceedings against the person are instituted
- iv. If the expenditure seems to be irrecoverable recommend to council to refer the matter to the Section 32 Committee for investigation in order that the Section 32 Committee can recommend to council whether to authorise, condone or write off the amount of the expenditure.

4.6 Financial Accountability and Treatment of Irregular Expenditure.

Recognition and measurement of irregular expenditure shall be treated in terms of the MFMA and shall be disclosed in the Annual Financial Statements of the Municipality